

Message Text

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PAGE 01 COLOMB 02408 050605Z

16

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 IGA-01 INR-07 L-03 SS-15 SP-02

EUR-12 OES-03 /061 W

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R 041134Z AUG 75

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 3153

LIMITED OFFICIAL USE COLOMBO 2408

STADIS////////////////////////////////////

E.O. 11652 N/A

TAGS: EAID, CE

SUBJ: SRI LANKA PL-480 FLOUR SITUATION

PASS USAID

NEA/INS KUX FROM AMBASSADOR

REF: (A) COLOMBO 935; (B) COLOMBO 2174; (C) STATE 160244;
(D) COLOMBO 2017

1. DURING PAST WEEK WE HAVE HAD OPPORTUNITY TO CHECK CAREFULLY FLOUR AND RICE SUPPLY DISTRIBUTION SITUATION THROUGH END CY76. FIGURES AND INTERPRETATION ARE BEING SENT SEPTTEL. OUR CHECK CONFIRMS THAT SRI LANKA WHEAT FLOUR REQUIRMENTS ARE COVERED THROUGH DECEMBER 1975 (REFTEL A). WE CONCLUDE, THEREFORE, THAT NO TITLE I FLOUR ARRIVALS IN COLOMBO ARE JUSTIFIED THROUGH END CALENDER 75 AND PROBABLY NOT THROUGH FIRST QUARTER CY76.

2. RE OUR ABILITY TO RECOMMEND WHEAT FLOUR FROM MARCH THROUGH DECEMBER 1976, PRIMARY UNCERTAINTY AT THIS TIME IS GSL'S WRITTEN PROVISIONAL AGREEMENT WITH FRENCH TO BUY 150,000 TONS FLOUR
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PAGE 02 COLOMB 02408 050605Z

SUBJECT TO NEGOTIATION, PROBABLY IN NOVEMBER-

DECEMBER 1975, OF PRICE AND FINANCING TERMS.
IF GSL EVENTUALLY MAKES ENTIRE FRENCH PURCHASE,
IT APPEARS AT THIS JUNCTURE THAT NO TITLE I
WHEAT FLOUR WILL BE NEEDED PROBABLY THROUGH
END CY76. ON OTHER HAND, PLANNING MINISTRY
AND CENTRAL BANK NOW ANTICIPATE INCREASING POSSIBILITY
OF CRITICAL FOREIGN EXCHANGE CRUNCH. PLANNING
MINISTRY WOULD, THEREFORE, PREFER CONCESSIONAL
PL-480 TO COMMERCIAL FRENCH FLOUR.

3. GIVEN FOREGOING SITUATION, I WOULD LIKE TO
RETAIN OPTION FOR UP TO 100,000 TONS FLOUR,
ALTHOUGH DELIVERY HERE DURING NEXT SIX MONTHS IS
FORECLOSED. IF WE COULD MAKE REASONABLE AND
RELIABLE COMMITMENT OF 50,000 TO 100,000 TONS
FOR DELIVERY MARCH-JUNE OF 1976, GSL COULD THEN
SAFELY NEGOTIATE FRENCH PURCHASE DOWN TO
75,000 TONS OR LESS FOR DELIVERY LAST HALF OF
CY1976.

4. IF THERE IS USUAL UNCERTAINTY AND EXTREME
DELAY IN OUR CONFIRMED PROVISION OF TITLE I
WHEAT FLOUR, AS WAS CASE THIS YEAR, GSL
MAY BE RELUCTANT TO HOLD OFF ON FRENCH PURCHASE.
BEST SOLUTION NOW WOULD BE TO RECEIVE INSTRUCTION
NEXT 60 DAYS TO NEGOTIATE TITLE I AGREEMENT
WITH GSL FOR WHEAT FLOUR UP TO 100,000 TONS,
EXACT AMOUNT TO BE DETERMINED DURING PERIOD
JANUARY 1 THROUGH MARCH 31, 1976; AND
DELIVERY TO BE DETERMINED MUTUALLY BEST TIME
DURING CY REPEAT CY1976. IS THIS POSSIBLE
IN PRESENT AND NEAR-TERM WASHINGTON PL-480 TACTICAL
SITUATION? ALTHOUGH FIGURES AND PROJECTIONS
IN SEPTEL ARE BEST AVAILABLE AT PRESENT, WE ARE
CHECKING FURTHER ON FRENCH COMMITMENT AND ON
POSSIBILITY IT CAN BE REDUCED. WE SHOULD HAVE
BETTER IDEA IN 10-15 DAYS.

5. I WILL BE OUT OF COLOMBO BALANCE THIS WEEK.
IN MEANTIME, WOULD APPRECIATE YOUR COMMENTS OR
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PAGE 03 COLOMB 02408 050605Z

SUGGESTIONS ON ANY FURTHER FOOD REPORTING NEEDS.
VAN HOLLEN

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NNN

Message Attributes

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Margaret P. Grafeld
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06 JUL 2006

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